



DEPARTMENT OF ENVIRONMENTAL QUALITY, STATE FUNDS REDUCTION CONCEPTS

NATURAL RESOURCES, AGRICULTURE, & ENVIRONMENTAL QUALITY APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

We have been asked to provide a list of suggestions that could potentially reduce the appropriations from the General Fund to agencies overseen by the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee. This list was intended to be used as a starting point for committee's discussions and potential legislative actions.

We used the assumption that although the agencies overseen by this appropriations subcommittee are generally very efficient, there are additional ways to reduce the state appropriations, while allowing the public to receive the needed services. For example, in some instances a portion of the state funds can be replaced with other funding sources, such as user fees. Also, some of the functions currently performed exclusively by state entities can be done by private companies or other government entities if the statute would allow and if proper oversight be put in place.

We identified the following general categories where such potential state fund reductions could be made. For additional explanations and examples of these categories, please see Appendix A.

1. **User fees:** replace a portion of the General Fund appropriations with user fees.
2. **Increase self-checking and self-reporting:** require a greater portion of the inspections and testing currently done by state employees to be transferred to the regulated industry/public, who may be required to self-report or to hire a third-party for verifications.
3. **Allow competition:** allow private or other government organizations to compete against each other and the state for services currently provided solely by state agencies.
4. **Outsource services:** contract with private or other government entities to take over the services currently provided by state agency.
5. **Eliminate government intervention:** some services can be provided through delegated standards without a formal structure of state government directly involved. This puts the burden on the industry to provide the services while still allowing the state to set the standards.

The following tables list the programs of the line item and show the funding mix, expenditure categories, and staff and vehicles count by program. In the first table, which shows the FY 2019 amounts by funding source (as included in the [Base Budget Bill, H.B. 5](#)), we have assigned in the first column (titled "Possible Actions") one or more of above categories to the programs where applicable.

Department of Environmental Quality Mission

The mission of the Department of Environmental Quality is: "Safeguarding and improving Utah's air, land and water through balanced regulation.

FY 2019 Base Budget by Program and Funding Mix

Line	Possible Action	Programs by Line Item	State	Ded. Credits	Restricted
1		Executive Director's Office	\$1,585,300	\$1,000	\$809,500
2		Governor Appointed Boards			
3	User fees	District Engineers			
4	User Fees	Office of Planning and Public Affairs			
5	User fees	Office of Support Services			
6		Division of Air Quality	\$5,975,200	\$5,596,900	\$115,300
7	Eliminate Government Intervention	CARROT Grants			
8	Outsource Services	Compliance			
9	Allow Competition	Permitting			
10	Allow Competition	Planning			
11		Division of Drinking Water	\$1,137,200	\$189,500	\$1,190,000
12	User Fees	Administrative Services			
13	Eliminate Government Intervention	Construction			
14	Allow Competition	Engineering			
15	Allow Competition	Field Services			
16	Outsource Services	Rules Enforcement			
17		Rules Implementation			
18		Division of Emergency Response and Remediation	\$819,700	\$584,200	\$3,171,300
19	User Fees	Management Support			
20	User Fees	CERCLA			
21	Increase Self Checking/ Reporting	UST & LUST			
22		Division of Waste Management and Radiation Control	\$745,400	\$2,265,600	\$7,058,000
23	User Fees	Office Support			
24	User Fees	Administrative Services			
25	Outsource Services	Solid Waste			

26	Outsource Services	Hazardous Waste			
27	Allow Competition	Plan/Tech Support			
28	User Fees	Corrective Action			
29	Outsource Services	Umill/Ram			
30	Allow Competition	LLRW			
31		Division of Water Quality	\$3,243,200	\$1,611,800	\$1,738,600
32	User Fees	Administration			
33	User Fees	Finance			
34	Outsource Services	Monitoring and Reporting			
35	Allow Competition	Standards (STS)			
36	Outsource Services	Watershed Protection			
37	Allow Competition	Engineering			
38	Outsource Services	Groundwater Protection			
39	Outsource Services	Surface Water			
40	Allow Competition	Storm Water Permitting			

In creating this brief, I found that arguments for reducing impact on State Funds did not correlate specifically to programs or divisions, but followed conceptual lines that often overlap. In the table above, I attempted to coordinate the following arguments with the previous action choices and apply them to each program. Due to the overlap, each suggestion is not a perfect match.

Administration: A typical theme as we have been going through this exercise is requiring user fees for executive directors and administration. Considering the full cost of overhead should be common practice, as well as appropriate adherence to statute which says fees should reflect costs. The Department of Environmental Quality (DEQ) has an indirect cost pool which transfers funds from its divisions to the Executive Director's Office, collecting some of those expenses from its divisions.

Grants and Loans: Grants and loans from the Department assume that the government are responsible for the costs to improve environmental externalities from common business. Typically, government uses standards, permitting, and compliance and standards, instead of direct grants to solve problems are not market considerations. This puts costs on the individual/business instead of on the taxpayer. Emissions inspections are one such example, where the onus of compliance is on the individual and the inspection is paid to a private party. This consideration encourages an analysis of what grants could fit into this model.

Permitting/Licensing: Permitting/licensing is a front end government practice that ensures that the organization/individual will comply with the standards required by the government to operate. Currently, DEQ requires that permits are submitted to them so they can monitor the entities that are relevant to the issue. However, not all permitting/licensing is managed by the government and the government should make a conscious decision if there are

any permits that can better be handled by the private sector. One way of doing so, is to eliminate the government monopoly of a permit/license and allow society to compete with the government. By doing so, a number of permit issuers/licensors should arise and the best should become the most popular. If the government/department is the most efficient and effective, then it adds validity to the existence of the permit.

Compliance: Compliance of environmental standards is also a common duty of DEQ. The department actively seeks for ways to encourage self-reporting from industries governed by these standards. This report assumes that the agency has taken active steps to consider each aspect of compliance it oversees and has considered whether or not self-reporting is achieving the dual goal of cost reduction and compliance maximization. If this is the case, the next logical step would be to allow compliance reporting to be exported to a third party to see if an external organization can provide the same service but increase the first goal of cost reduction.

Clean-up: DEQ is consistently involved in environmental clean-up which costs cannot be directly associated with a single entity. In order to maintain and improve the environment, the government has consistently assumed responsibility. DEQ has already implemented a number of the concepts in this brief, such as eliminating government intervention in voluntary clean-up (clean-up done by the entity, but complies with standards set by the department), and outsourcing services, so much of the clean-up is handled by a third party. Additionally, for some clean-up, the Federal Government covers the majority of the costs. That said, conceptually, there are likely beneficiaries in each clean-up situation that are not subject the costs of cleaning. For those situations, DEQ should consider spreading those costs through a fee mechanism.

Planning: Currently DEQ uses state resources to create a State Implementation Plan to comply to Federal Government standards. The plan is created to address standards that continue to be a moving target, but are only addressed through DEQ's limited resources and a single government viewpoint. Conceptually, allowing competition into this arena would allow the entire resources of the state and multiple viewpoints to create a detailed plan. Potentially, this would improve outcomes, reduce costs to the state, and allow for more buy-in from private entities.

Research: Research and discovery is the primary mechanism of human/societal progression, but is arguably not a government responsibility. Many benefits can arise from government intervention in research, such as compiling resources that would have been used elsewhere, or sinking resources assuming a lengthy return on investment that is unsustainable to the market. But, it is challenging for the government to pinpoint the optimal amount of spending to ensure quality outcomes, and can often overspend resources without resources. This is particularly challenging due the nature of research, which by definition, allows for endless resource input. The market allows for progression due to research, but has clear delineated mechanisms and incentive structures that disallows overspending.

Education: A final endeavor of DEQ is population education and overall culture change. DEQ is currently involved in various activities that are intended to teach the public good environmental behaviors. It is challenging to pinpoint optimal spending for these endeavors, but are also, arguably, beyond the purview of government responsibility.

Would the committee like to pursue any of these possibilities and direct staff to get more information?

The following pages contain details about the expenditures, FTE and Vehicles counts by program, as well as descriptions for each program in order to provide a better understanding what is currently budgeted to be "purchased" with the appropriations.

Expenditures

Expenditure Categories	Personnel Services	In-state Travel	Out-of-state Travel	Current Expense	DP Current Expense	Pass Thru
Executive Director's Office	\$3,170,300	\$15,300	\$16,600	\$1,291,400	\$827,200	\$833,000
Division of Air Quality	\$2,566,800	\$85,100	\$44,700	\$2,161,900	\$771,100	\$10,587,000
Division of Drinking Water	\$4,462,100	\$40,300	\$23,000	\$1,125,100	\$501,300	\$377,200
Division of Emergency Response and Remediation	\$5,152,600	\$32,300	\$28,400	\$2,263,000	\$807,900	\$76,400
Division of Waste Management and Radiation Control	\$7,351,700	\$32,900	\$34,800	\$3,422,600	\$603,400	\$192,000
Division of Water Quality	\$7,936,200	\$99,000	\$35,000	\$2,730,300	\$287,000	\$1,137,600

Staff and Vehicles

	FTE	Vehicles
Executive Director's Office	28	8
Division of Air Quality	103	11
Division of Drinking Water	39	3
Division of Environmental Response and Remediation	64	5
Division of Waste Management and Radiation Control	86	9
Division of Water Quality	68	11

Line Item Descriptions**Executive Director's Office**

The Executive Director's Office provides administrative direction to the entire department. It directs activities within the department, provides information to program stakeholders, and coordinates with local health departments.

Division of Air Quality

DAQ is responsible for measuring air quality as outlined by the federal air quality health standards. Recently, the division monitored violations of the particulate matter due to changes to the National Ambient Air Quality Standard (NAAQS). The division is completing the four-year process to develop a new plan to bring the areas within Utah that are violating the NAAQS back into attainment.

Division of Drinking Water

The Division of Drinking Water cooperatively works with drinking water professionals and the public to ensure a safe and reliable supply of drinking water.

Division of Environmental Response and Remediation

The mission of the Division of Environmental Response and Remediation (DERR) is to protect the health and the environment of the citizens of Utah from exposure to hazardous substances. DERR administers three major federal environmental laws: 1. The Comprehensive Environmental Response Compensation and Liability Act; 2. The Emergency Planning and Community Right-to-Know Act (EPCRA); 3. The Resource Conservation and Recovery Act (RCRA), Subtitle I, Regulation of Underground Storage Tanks.

Division of Waste Management and Radiation Control

The mission of the Division of Waste Management and Radiation Control is to protect public health and the environment by ensuring proper management of solid wastes, hazardous wastes, and used oil within Utah, and to protect the general public and occupationally exposed employees from sources of radiation that constitute a health hazard.

Division of Water Quality

The mission of the Division of Water Quality is to protect public health and all beneficial uses of water by maintaining and enhancing the chemical, physical and biological integrity of Utah's waters.

Appendix A

1. **User fees:** replace a portion or all the General Fund appropriations with user fees. This will allow the state entity to continue the same level of services and staffing, while reducing the general tax dollars. It may or may not mean increasing fees to generate more revenue with which to replace the General Fund. An example of this is the Division of Parks and Recreation shifting the majority of its finding from the General Fund to parks visitors' fees.
2. **Increase self-checking and self-reporting:** require a greater portion of the inspections and testing currently done by state employees to be transferred to the regulated industry/public, who may be required to self-report or to hire a third-party for verifications. This would potentially reduce the workload of the state agency, which would result in reduction in state staff and travel expenses. This could be similar to reporting and paying income taxes. The individual or corporation self-reports, with the understanding that reports are enforced through audits. Another example of this is the elimination of the state-mandated vehicle safety inspections for vehicle registration.
3. **Allow competition:** allow private or other government organizations to compete against each other and the state for services currently provided solely by state agencies. Competition could breed innovation and increase the quality of services and/or reduce the costs to the industry/public paying for the services. An example of this is the Organic certification process.
4. **Outsource services:** contract with private or other government entities for the services currently provided by state agency. Initially, the costs may remain the same, but it could be reduced over time, as competition to provide the services increases. Many services in state government are provided through contracting, and perhaps more could be. Examples of this is UDOT and road construction and This Is The Place Foundation managing the heritage park.
5. **Eliminate government intervention:** some services can be provided through delegated standards without being a formal structure of state government. This puts the burden on the industry to provide the services while still allowing the state to set the standards. An example of this is industry certifications and industry standards, such as the Certified Public Accountant (CPA) and the Governmental Accounting Standards Board (GASB).